



# OFFICE OF THE CITY AUDITOR COLORADO SPRINGS, COLORADO

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## 19-14 Colorado Springs Utilities Electric Cost Adjustment and Gas Cost Adjustment

July 2019

### Purpose

The purpose of this audit was to evaluate whether Colorado Springs Utilities (Utilities) prepared the Electric Cost Adjustment (ECA), Gas Cost Adjustment (GCA), Electric Capacity Charge (ECC), and Gas Capacity Charge (GCC) in accordance with the approved tariffs. The methodology was compared to prior filings for consistency and calculations were tested for accuracy.

### Summary

Based on our review of calculations and related support filed with our office, we conclude that the proposed adjustment submitted by Utilities complied with approved tariffs. The calculations were accurate and consistent with prior filings.

For the August 1, 2019 effective date, Utilities provided ECA, ECC, GCA, and GCC adjustments for consideration by City Council.

	Prior Rate	Proposed Rate	Over/(Under) Collection at June 30, 2019	Utility Board Guidance
(ECA)	\$.0209 / kWh	\$.0193 / kWh	\$492,975	+ or - \$5 million
(GCA)	\$.1746 / Ccf	\$.1620 / Ccf	(\$3,382,877)	+ or - \$5 million
(ECC)	E1R Rate \$.0047	E1R Rates \$.0046	(\$1,455,032)	
(GCC)	G1R/G1CS Rate \$0974	G1R/G1CS Rate \$0530	\$9,363,008	

Under Utilities' Board approved guidance, Utilities will submit ECA and GCA adjustments quarterly to manage balances within \$5 million over or under collected.

### Management Response

Management was in agreement with our recommendation.

### Recommendations

1. Utilities should:

- Review the GCC collected balance in January 2020 as compared to forecast and report the results to Utilities Board.
- Propose any changes needed to bring the over collected balance to zero in July 2020.

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# 19-14 Colorado Springs Utilities

## Electric Cost Adjustment and Gas Cost Adjustment

### **Observation 1**

- The GCC over collected balance was \$9,363,008 as of June 30, 2019. Utilities has proposed a reduction in the GCC rate effective August 1, 2019 to target a zero balance in July 2020.

In 2017, Utilities proposed refunding over a three year period. The rate was reduced in 2018; however, expenses were significantly less than forecast.

Board approved guidance was not in place for the GCC. Expenses related to the GCC were primarily fixed cost based upon contracted capacity quantities and regulated pipeline rates. Based on the seasonal nature of revenues and the fixed nature of expenses, over collections were expected during the winter with corresponding under collections during the summer.

### **Management Responses:**

**Review the GCC collected balance in January 2020 as compared to forecast and report the results to Utilities Board.**

Pricing-Rates Department agrees to review the GCC over collection balance as of December 31, 2019 in January 2020 and compare the actual balance to the GCC Projections June 2019. Although Utilities further reduced GCC rates in 2018, GCC balances have continued to slowly increase primarily due to variances in forecasted expenses. In response Utilities has:

- Proposed overall decreases in GCC rates to refund the GCC balance over a 12-month period. A 12-month period is the shortest appropriate refund timeframe to equitably account for the seasonality of natural gas sales.
- Utilities is proposing GCC rates based on an updated expense forecast.
- Utilities is performing an annual true-up of all integrated resource plans to enhance forecasting in a timely manner

**Propose any changes needed to bring the over collected balance to zero in July 2020.**

Pricing-Rates Department anticipates the current forecasted expenses will be aligned consistent with recent actual results. The GCC is an annual adjusted rate and Utilities would not recommend a proposed adjustment in January 2020 if the GCC over collection balance as of December 31, 2019 is within a reasonable variance range of projections. If a significant over collection balance continues to exist, Utilities will propose additional rate reductions to GCC in January 2020.

### **Recommendation**

Utilities should:

- Review the GCC collected balance in January 2020 as compared to forecast and report the results to Utilities Board.
- Propose any changes needed to bring the over collected balance to zero in July 2020.